

**MINUTES  
of the  
THIRD MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT  
OVERSIGHT COMMITTEE**

**August 4, 2008  
Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque**

The third meeting of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Daniel P. Silva, chair, at 10:15 a.m. on Monday, August 4, 2008, in the offices of the New Mexico Mortgage Finance Authority (MFA) in Albuquerque.

**Present**

Rep. Daniel P. Silva, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Sen. Mark Boitano  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Leonard Lee Rawson  
Rep. Teresa A. Zanetti

**Absent**

Rep. Thomas A. Anderson  
Sen. Cisco McSorley

**Advisory Members**

Sen. Richard C. Martinez  
Sen. H. Diane Snyder

Rep. Andrew J. Barreras  
Rep. Jose A. Campos  
Rep. Daniel R. Foley  
Sen. Phil A. Griego  
Sen. John T.L. Grubescic

**Also Present**

Rep. Miguel P. Garcia

**Staff**

Chase Van Gorder, Staff Attorney

**Guests**

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

## **Monday, August 4**

### **Mortgage Finance Authority (MFA) Update**

Jay Czar, MFA executive director of programs, updated the committee on MFA events and activities. The MFA is looking forward to the proposed special legislative session as the Governor's CARE Package includes additional funding in the amount of \$4 million for the Low Income Home Energy Assistance Program (LIHEAP) and weatherization assistance programs. The MFA has completed its town hall meetings for the year, and conducted meetings in Bloomfield, Silver City, Espanola and, most recently, Albuquerque. Mr. Czar then noted that the federal Housing and Economic Recovery Act of 2008 had been passed by Congress and signed by President Bush. Provisions of particular interest to MFA included an increase in the amount of \$101.2 million in the cap on MFA bonds, a refinance program for troubled homeowners, reforms for Federal Housing Administration (FHA), Freddie Mac and Fannie Mae home loan programs, funding for homeowner counseling and tax credits for certain first-time home buyers.

### **Housing Development — Private Sector Perspective**

Michael Sivage, chief executive officer of Sivage Homes and MFA Board of Directors vice chair, briefed the committee on issues facing housing development from the perspective of the private sector of the industry. At the present time, the country is experiencing the worst housing slump since the Great Depression. At the national level, housing starts are down 54 percent from the 2005 peak; there has been a drop of 67 percent in single-family dwelling starts. The drop in single-family housing starts in New Mexico is 85 percent in Santa Fe, 60 percent in Albuquerque and 50 percent in Las Cruces. Albuquerque single-family housing starts in 2008 are expected to be below 3,000; in 2005, there were 9,445 single-family housing starts in Albuquerque. Mr. Sivage offered several reasons for this decline in housing development. First, there was too much capital invested in housing development, as there was a lack of confidence in the stock market and investors turned to real estate as an alternate investment. Second, Wall Street invested heavily in mortgage-backed securities that were often too highly rated by the rating companies. Third, there were serious flaws in the ways in which housing was valued. At the present time, new homes are being sold at prices that are 20 percent lower than peak values. Mr. Sivage noted that a normal ratio of new jobs to housing starts should be 1:1 and existing employment trends do not support a robust housing market. There is currently an excess in inventory of homes on the market that may take years to clear. This causes home prices to continue to fall and puts pressure on new home and resale values. In the area of mortgage foreclosures, at a national level, one home in 171 is in foreclosure; in New Mexico, the figure is one home in 739; and in Albuquerque, the figure is one home in 405. Subprime mortgages, including option ARMs, have not been used as frequently in New Mexico as in other markets. Mr. Sivage expects that housing prices will continue to fall for a period while housing development costs will continue to rise. Housing prices will bottom out, as will housing starts, over the next 12 months and new home construction will stabilize with a modest recovery thereafter. The big issue is that due to increased building and infrastructure costs, restrictive land use policies, impact fees and threatened increases in mortgage rates, homes will continue to become less affordable. Thus, home ownership rates will decline and builders will respond to cost increases by reducing the size of homes, increasing housing density and eliminating or

making optional many housing amenities. Mr. Savage also noted that there will be a trend toward consolidation among housing developers with publicly traded companies taking a larger share of the market as private developers will have reduced access to capital. In Albuquerque, through the first quarter of 2008, the top three publicly traded developers accounted for 50 percent of the housing starts.

### **Regional Housing Authorities — MFA Oversight and Update**

Richard Chavez, MFA regional housing authorities liaison, updated the committee on the activities and status of the regional housing authorities. Mr. Chavez reminded the committee that at the request of the State Board of Finance, the Community Strategies Institute (CSI) had completed a study of regional housing authorities in June 2006, which study included a series of recommendations. CSI is undertaking an updated study to follow up on those recommendations with more specifics for the purpose of developing specific language and proposed related program costs, including: 1) conducting a market analysis of affordable housing needs and services for the regional areas; and 2) conducting an organizational analysis of the financial capabilities, organizational skill sets and capacity requirements needed for regional housing authorities. A number of the initial recommendations of CSI were incorporated into the provisions of the recently passed regional housing authority legislation, House Bill 519 from the 2007 legislative session. Mr. Chavez noted that approximately \$5 million may have been lost due to the previous inadequate oversight of regional housing authorities. Mr. Chavez reviewed recent developments for Regions II, III, IV, V and VI; his report is contained in the archive file for this meeting. Finally, Mr. Chavez noted that the state auditor should begin audits of Regions III and IV in August 2008, and that closeout audits for Regions I and VII will need to be completed.

### **Legislative Initiatives**

Mr. Van Gorder presented the committee with drafts of two appropriations bills for the upcoming special session as requested by the committee at its July meeting: a \$5 million appropriation for a residential energy conservation program directed at low-income families and a \$2.5 million appropriation for a residential energy efficiency improvement loan program directed at low-income families. These are identical to Senate Bill 210 and Senate Bill 211 introduced in the 2008 legislative session by Senator Martinez. Both of these bills have already been endorsed by the Welfare Reform Oversight Committee. Upon a motion by Representative Gonzales, seconded by Representative Silva, the committee voted without opposition to endorse these two bills for the upcoming special session. The bills will be sponsored by Senator Martinez in the senate and Representative Gonzales in the house. Senator Snyder also requested to be a co-sponsor of both bills.

### **Green Build and EnergySavers Program Update**

Joseph Montoya, MFA deputy director of programs, updated the committee on the Green Build and EnergySavers programs of MFA. The MFA 2007-08 Strategic Plan incorporated a number of "green" initiatives in environmentally friendly building practices in affordable housing throughout New Mexico: 1) a year-long "Green Initiative" internship began in August 2007; 2) three new programs were developed by MFA over the past year to broaden the available

financing tools for green affordable housing; 3) by the summer of 2008, MFA will have incorporated green building incentives into its existing finance programs; and 4) MFA will seek to have its facilities "green certified". The MFA created the EnergySavers Loan Program to facilitate the distribution of funds for energy efficiency programs for low- to moderate-income households. The purpose of the program is to provide below-market interest rate loans for energy efficiency improvements to new and rehabilitated single and multifamily housing.

### **Energy Efficiency Programs Update**

Lionel Holguin, MFA director of community development, described the New Mexico EnergySmart Program. This program is modeled on the Weatherization Assistance Program, a federal grant program administered by the Department of Energy. This program in New Mexico is administered by the MFA through partnerships with community based nonprofit organizations. Total funding for the 2008/09 program year from federal, state and private (Public Service Company of New Mexico) sources is \$5,239,539. At an average cost per home of \$2,996, this funding will weatherize 1,749 homes with an estimated annual savings of \$626,142. Anthony Royal of Los Amigos Educational Resource Center gave a PowerPoint presentation illustrating the weatherization evaluation and implementation process. Troy Cucchiara of Los Amigos explained efforts that are made in the area of water conservation.

### **Minutes**

Upon a motion by Senator Boitano that was duly seconded by Representative Gonzales, the committee approved without objection the minutes from the July 14, 2008 meeting of the MFA Act Oversight Committee.

### **Adjournment**

There being no further business before the committee, the third meeting of the MFA Act Oversight Committee for the 2008 interim was adjourned at 1:05 p.m.